

Machinery and equipment that is used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease is exempt from Retailers' Occupation Tax. See the Department's regulation at 86 Ill. Adm. Code 130.330. (This is a GIL.)

January 4, 2007

Dear Xxxxx:

This letter is in response to your letter received in the Legal Services Office on October 24, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I would like a determination whether these air cleaning systems would be exempt from Illinois sales tax.

I am not sure if they would fall under 'Machinery and Equipment Exemption', any type of EPA exemption, or any other type of exemption.

DEPARTMENT'S RESPONSE

We do not have enough information about the use of the air cleaning systems to make a determination regarding whether or not they qualify for the manufacturing machinery and equipment exemption. We hope that the following general guidelines will be helpful to you in making a determination of the appropriate tax liabilities.

Machinery and equipment that is used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease is exempt from Retailers' Occupation Tax. See the Department's regulation at 86 Ill. Adm. Code 130.330. The exemption also extends to repair and replacement parts as long as the parts are incorporated into machinery and

equipment that is exempt under the regulation. It is important to note that the product being produced must be for sale or lease for the manufacturing machinery and equipment exemption to apply.

The law exempts only the purchase and use of “machinery” and “equipment” used in manufacturing or assembling. Machinery means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process; including, machinery and equipment used in the general maintenance or repair of such exempt machinery and equipment. See 86 Ill. Adm. Code 130.330(c)(1) and 130.330(c)(2).

If you require additional information, please visit our website at www.ILTAX.com or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk